

NEWS RELEASE

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DeNUCCI CITES REGISTRIES OF DEEDS FOR INADEQUATE FISCAL CONTROLS

State Auditor Joe DeNucci reported today that most Registry of Deeds offices lacked proper internal control plans to guard against the loss, theft and misuse of funds.

DeNucci's audit found a number of shortcomings at the registry offices, including their failure to properly reconcile daily cash transactions and to segregate the duties of employees who handle fee collection activities.

The Registries of Deeds, which are responsible for maintaining public records of land ownership and real estate transactions, collect more than \$179 million in fees annually for the 10 registries included in DeNucci's statewide review. The Secretary of State's Office operates eight registries where county functions have been transferred to the state. DeNucci's review covered six registries under the Secretary of State's jurisdiction – Berkshire, Essex, Hampden, Middlesex, Suffolk and Worcester – as well as the county-operated Barnstable, Bristol, Norfolk and Plymouth registries.

DeNucci's audit found that nine of the 10 registries tested did not have written internal control policies and procedures as required by state law. Because of recent increases in revenue collected by the registries of deeds, DeNucci said, it is essential that all registries have adequate internal control plans to provide safeguards against financial variances. Although the county registries are not subject to the state's internal controls law, DeNucci said, they should use the state requirements as a model.

In response, the Secretary of State's Office said it has filed internal control plans with the State Comptroller for the eight registries under its jurisdiction.

Specific weaknesses identified in DeNucci's report included the following:

- Three registries – Bristol, Barnstable and Norfolk – were unable to reconcile daily cash deposits because they cashed checks for title researchers and attorneys.

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- Eight registries did not deposit daily cash receipts intact because they were needlessly withholding cash for use for the start of the next day's activity.
- The Plymouth, Hampden, Berkshire and Bristol registries did not adequately segregate the duties of employees who handle cash, allowing one employee to be responsible for an entire transaction. This lack of checks and balances leaves agencies more vulnerable to misuse of funds.
- In all of the registries tested except Norfolk and Plymouth, one person was usually responsible for maintaining accounts of clients who participate in a computer-access program providing 24-hour on-line access to records. No independent review process or checks and balances were in place to ensure against the loss or misuse of funds.
- Six registries, including three run by the Secretary of State, did not have adequate bonding coverage for employees who handle daily receipts.

In response, the Secretary of State's office indicated it is retraining all registry staff to ensure that proper safeguards are followed. In addition, the Secretary of State's office indicated that all monetary transactions through its computer access service will be included in its internal control policies, and all registry employees who handle cash are now bonded as part of the office's blanket insurance contract.

"The registries of deeds, like any agencies that handle large amounts of cash on a daily basis, must have strong internal controls in place to prevent abuse," said DeNucci. "I am encouraged that corrective changes are being implemented by the Secretary of State's office as well as the county-run registries."